

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

CS-30

April 29, 1939.

T H E C O T T O N S I T U A T I O N

Summary

Exceptionally high domestic consumption, unusually small exports, high spot prices of American cotton relative to futures quotations, and small stocks of "free" American cotton in the presence of record total stocks, continue to feature the present cotton situation, according to the Bureau of Agricultural Economics. An important recent development is the proposed domestic export subsidy, which apparently has already resulted in market price adjustments which have partly eliminated the disparity between prices of American and foreign growths in foreign markets.

Domestic mill consumption of 649,000 bales in March, was one-fourth larger than in March last year, the second largest for the month in 12 years, and probably the third largest March consumption in the history of the industry. Domestic mill consumption from August through March was 15 percent, or nearly 600,000 bales, larger than in the corresponding period last season. The total for this 8-month period was, with one exception, the largest since 1928-29. Domestic mill activity during the first half of April was apparently maintained at unusually high levels, despite the fact that manufacturers' sales of cotton textiles were apparently considerably below production during the last half of March and the first half of April.

The 330,000 bales of American cotton exported in March were 23 percent less than exports in March last year and, with one exception, the smallest for the month in 15 years. Exports, however, were relatively more favorable than

in February, when exports were one-third less than a year earlier and the smallest in 54 years. During the first 20 days of April, trade reports indicated that exports were only about 45 percent as large as in the like period last year. This low level of exports may have been due in part to a postponement of purchases because of the increased prospects for an export subsidy.

Since the middle of March, the Liverpool price of American Middling 7/8 has declined materially in relation to the prices of this cotton in domestic markets. On March 17 the spread between the Liverpool price and the 10-market average price was 1.62 cents per pound, but by April 24 this spread had narrowed to 0.71 cents. This was apparently due to the increased possibility of an export subsidy on American cotton, which would be expected eventually to reduce the foreign price in relation to the domestic price by about the full amount of the subsidy, such change taking the form of a reduction in the foreign price and an increase in the domestic price, compared with what they otherwise would be. On April 27 the spread was back to 0.95 cents.

The proposals with respect to an export subsidy are, no doubt, responsible at least in part for the rather marked reversal in the movement of the ratio of the Liverpool prices of Indian and American. On March 17 the average price of three types of Indian (Oomra, Broach and Sind) at Liverpool was equivalent to only 71.9 percent of the average price of American Middling and Low Middling. By April 21, however, this ratio had increased to 78.9 and by April 24 was probably above 80. Some change in the ratio between American and other foreign growths also occurred during this period, but for the most part these changes were much less than between American and Indian.

PRICES

Domestic prices strengthen

From March 10 to mid-April, domestic prices of Middling 7/8 inch cotton in the 10 designated markets declined from 8.80 cents (the highest point of the season to date) to 8.32 cents. By April 24, however, most of this decline had been recovered and the price in these markets on that date as well as on April 26 and 27, averaged about $8\frac{3}{4}$ cents per pound. Approximately half of the advance from April 15 to April 24 occurred on the latter date, and was apparently due at least in part to the reported agreement between the President and certain leaders in the Senate with respect to a 2 cent export subsidy which would be placed in operation after the beginning of the new fiscal year on July 1.

Spot prices of American cotton continued high relative to futures contracts throughout the last month, especially in relation to distant delivery months. On April 24, Middling 7/8 inch spot cotton in the 10 designated markets was 0.65 cents above the closing price for July New York futures contracts and 0.99 cents above that of October futures. In the past 10 years the average price of Middling 7/8 in the 10 markets in April has averaged 0.20 and 0.04 cents, respectively, below the average April price of July and October New York futures contracts.

Export proposals reduce price disparity

On Friday, March 17, the average Liverpool price of three important types of Indian cotton was lower in relation to American Middling and Low Middling than for any Friday for $4\frac{1}{2}$ years. Several other growths were also unusually low relative to American. By April 21, however, the Liverpool price of Indian had increased materially in relation to American (or American had declined materially in relation to Indian) so that the ratio between Indian and American was the highest for any Friday for more than 6 months. In this period of 5 weeks, the ratio of the average price of Indian Oomra, Broach and Sind to American Middling and Low Middling increased from 71.9 to 78.9 or from an unusually low ratio to one about equal to the average for the past 10 years. In view of the reported agreements with respect to a 2 cent export subsidy, which appeared on April 23, prices of these growths since that date would probably show a still further increase in this price ratio. A comparison of the Liverpool price of Indian Central Province, Super Fine (the only Liverpool price of Indian available since April 21) with American Middling shows that on April 24 the ratio of this type of Indian to American was 85.3 as compared with 84.8 on April 21.

This reversal in the ratio of the prices of Indian and American cotton at Liverpool is apparently attributable at least in part to the possibility of an export subsidy on American cotton. On March 17, the Liverpool price of American Middling 7/8, when converted at the current rate of exchange, was 1.62 cents per pound higher than the average price of Middling 7/8 in the 10 designated markets. By Friday, March 31, the spread between the 10-market average and the Liverpool price of American Middling had narrowed to

1.17 cents. By Monday, April 24, following the press reports that administrative leaders had agreed upon a 2 cent export subsidy, the spread narrowed to 0.71 cents, then widened to 0.95 cents on April 27.

EXPORTS

Domestic exports continued low

While exports of American cotton continued exceptionally low during March, they showed considerable improvement in relation to the comparative level of exports during the earlier months of the season. The 330,000 running bales of American cotton exported in March were 23 percent less than March last year, and with one exception the smallest for the month in 15 years. In February, however, exports were one-third less than a year earlier and the smallest in 54 years. Total exports for the 8 months ended March, of 2,786,000 bales, were 40 percent below those of a year earlier and the smallest for the period in 57 years. With the exception of Japan, exports to all of the larger markets for American cotton have been much smaller so far this season than during the corresponding period last season. The 720,000 bales exported to Japan during the first 8 months of the season, however, were 64 percent larger than in the corresponding period last season when takings by Japan were unusually small. (See table 1 for additional comparisons).

Several factors have contributed to an exceptionally large degree of hand to mouth purchasing by foreign countries this season. One of the most important of these has been the unusually high prices of spot cotton relative to futures, which has discouraged the hedging of raw cotton. More recently, uncertainty regarding possible disposition of the large Government loan stocks and the numerous legislative proposals for dealing with the cotton situation have also further encouraged the policy of purchasing only for immediate needs. This policy of hand to mouth purchasing would be expected at least to tend to iron out a considerable proportion of the usual marked seasonal variation in the exports of American cotton since foreign consumption of American cotton shows much less variation from month to month throughout the season than do exports. Consequently, in a season such as this, when hand to mouth purchasing is practiced to an exceptionally large degree, there should be a distinct tendency for exports in the last few months of the season, when exports are normally a comparatively small portion of the season's total, to make a favorable showing relative to the preceding months. Despite such a tendency, however, other factors may prevent the situation from developing in this way.

For example, during the first 20 days of April, domestic exports, of about 125,000 bales, were only 45 percent as large as in the like period last season. The total quantity exported during this period was probably one-third to two-fifths less than the total foreign consumption of American cotton during this part of April with a consequent reduction in the already small stocks of American cotton in foreign countries. The exceptionally small exports during the first 20 days of April is probably accounted for in part by postponement of buying, and possibly, to some extent, shipping, because of the possibility of an export subsidy and consequently lower export prices.

DEMAND AND CONSUMPTION

UNITED STATES: March mill consumption second largest in 12 years

The 649,000 bales of all cotton consumed by domestic mills in March was 27 percent larger than consumption in March last year and the second largest for the month since 1927. With the exception of 1937 and 1927, the figure for March this year was the largest for the month since monthly mill consumption estimates first became available in 1912-13. In view of the upward trend in consumption and the comparative estimates of annual consumption, it seems quite likely that consumption in March this year was the third largest for the month in the history of the domestic cotton textile industry.

Total consumption by domestic mills for the 8 months from August through March, of 4,600,000 running bales, was nearly 600,000 bales or 15 percent larger than consumption in the corresponding period last season. With the exception of 1936-37, consumption from August through March this season was larger than in any corresponding period since 1928-29. Of the total quantity used by domestic mills up to the end of March this season, all but 81,000 bales was American cotton. In the corresponding period last season, domestic mills used 95,000 bales of imported cotton.

Trade reports indicate that domestic mill consumption during the first half of April was maintained at a level substantially higher than that of a year earlier. With manufacturers' sales of cotton textiles apparently considerably below production during the first 2 weeks of April, as well as during the last half of March, there is said to be much talk among domestic manufacturers with respect to the need for curtailing output. There is as yet, however, no indication of any substantial curtailment.

EUROPE: Improvement in cotton textile situation in first half of March upset by subsequent developments

The cotton situation in Europe in the early part of March seemed for the most part to be trending moderately toward improvement, but in the latter half of the month was disturbed by several unfavorable developments. In the first half of the month confidence in the stability of the international situation appeared definitely to be reviving, raw cotton prices were rising and an idea that in any release of loan stocks the level of prices of spot cotton was not likely to be much affected before the summer of 1940 seems to have gained wide acceptance. Under these conditions business in the free exchange countries tended to quicken. In contrast the latter half of the month was dominated by fresh tension in the international political field with its usual symptoms of price declines on the sensitive markets, heavy gold movement to London and New York and appreciable increases in war-risk insurance rates; while at the

same time observations of the progress of measures under consideration for disposition of the American loan stocks or for encouraging exports subjected earlier conclusions concerning the stability of the cotton price structure to a certain amount of doubt. Under these conditions the normal planning of operations beyond the immediate future became exceedingly difficult and an increase of caution was generally noted. Even in Germany where, with the imports controlled and raw cotton rationed for mill consumption at a level below that of consumer demand, the situation as a rule is somewhat immune to the forces which affect it elsewhere, the problem of raw cotton supplies was intensified by the inclusion of the Czech mills in the jurisdiction of the Reich and the suspension concurrently of Askaniya trading in Brazil. The position at the end of March may thus be said to have been definitely less favorable than at the beginning.

Statistics of the International Cotton Federation relating to the mill consumption of raw cotton which appeared late in March showed in most countries of Europe an improvement in the first half of the 1938-39 season over the 6-months' period just preceding. For Europe as a whole, the increase was about 3 percent on a weight basis, though as compared with the first half of the 1937-38 season, the first half of the present season fell short by about the same amount. On the Continent, however, if Russia be excepted, the consumption of cotton of all kinds in the first half of the 1938-39 season exceeded not only that of the latter half of 1937-38 but also by a slight margin that of the first half and was almost equal to that of the latter half of 1936-37. In these countries the total consumption of cotton has shown little trend either way in the last 4 years from a figure of about 5 million bales per annum. The share of American cotton in the total consumption, however, has continued its decline, reaching a new low of 45 percent in the half year ending January 31, 1939 for the Continent, and 46 for all of Europe, Russia being excepted in both cases. Corresponding increases have been mainly in Sundries which at the same time reached a new high of 29 percent.

United Kingdom

In the United Kingdom the situation in the first half of March was characterized by a continuation and acceleration of the improvement apparent in February. In addition to the favorable developments generally noted over Europe as a whole, a promise of higher prices for yarn and goods was implied in the progress of the Cotton Industry Reorganization Bill. Yarn prices in certain categories covered by spinners' agreements were in fact already being advanced, while the increase of finishing charges decided upon in the previous month was made effective. Moreover, there was a certain amount of optimism both as to the international situation and as to the cotton price level. The influence of these impending factors was to stimulate buying. There was a tendency for yarn and cloth transactions to increase in number and size and a growing disposition on the part of the trade to extend commitments farther into the future. In

the latter half of the month, however, the situation underwent marked change and while momentum appears to have carried textile buying on for a time the markets in the last two weeks evinced uncertainty and hesitation. The month ended on a weak note with increasing tendency for larger scale purchases to be postponed and for textile buying to revert to a hand to mouth type of operation pending a clarification of the outlook. Import buying of cotton was especially affected and in the case of American came, for the time being, almost to a standstill.

Although cotton textile prospects at the end of March were materially changed from that at the beginning, surface indications suggest that the month as a whole, in spite of its vicissitudes, must in retrospect be accounted a fairly good one - if not the best, probably one of the two or three best since 1937. A gratifying business with the Dominions, Malaya and South America was reported. Although Indian trade has not yet shown marked expansion and delay persists in establishing the Egyptian quota scheme, scattered trade with other export markets added to the total. Lancashire hoped also to gain some part of the former Czechoslovakian export trade to continental countries.

The home market, bolstered in some degree by government orders, accounted for a very substantial offtake. The trend of wholesale trade, according to the best available evidence, was rising, at all events up to the middle of the month. At the same time, a further decrease of unemployment in the United Kingdom, bringing the total at last below that of March 1938, augured well both for retail trade and for the demand for cotton goods from industrial sources.

Spinners also fared well in all departments especially in American types and were able, it is said, not only to clear stocks of American ring beams of which a sizeable accumulation remained from earlier months but also to place their production for some time ahead. Prices were advanced in four or five stages over a period of about three weeks by a total of $\frac{3}{4}$ pence per pound, and in medium (42's) count American weft yarns group it was found possible to renew for a further period of three months the margin agreement covering some 4,000,000 spindles.

Reflecting the improved state of spinners' stock and order books, forwardings of raw cotton to mills increased to an average of 55,600 bales (478-pound net equivalents) per week almost the equal of March 1938 and substantially better than any month of the interval. In February, the second best month of the twelve, the average weekly rate was but 51.4 thousand. Of the 4,200 bales increase of total forwardings per week in March over February more than 2,750 bales represented an increase in East Indian, rising forwardings of which are apparently tracing the seasonal pattern set in recent years. Brazilian forwardings were slightly down on an absolute basis and substantially so on a percentage basis. Weekly forwardings of American cotton averaging 21,567 (478-pound equivalent) bales in March were roundly 1,600 bales more than in February but below the figures of October and November, and the American share in total consumption showed a further decline. The seasonal peak expected in American forwardings has not appeared in the present season, which in this respect at least is showing a resemblance to 1934-35.

France

The French situation appears to have followed the general pattern of that in other free exchange countries. Textile buying, although somewhat quiet at the beginning of March, was stimulated by rising cotton prices in the first 15 days, while mill order books were further improved with substantial contracts placed for the French Government. In the latter half of the month, however, buying for commercial account was sharply affected by the turn of events and toward the end the textile market grew extraordinarily quiet although it was believed that a considerable amount of business remained to be placed and would appear with a return to more normal conditions. The best available information indicated, however, that French mills continued to hold a relatively strong position with orders in hand sufficient to insure full time operation well toward the remainder of the present season. Mill activity at the normal rate of 40 hours a week was general, but mills in considerable number were working up to 48 hours and some engaged with government contracts had further extended their work week to the 60 hours permitted under the new decrees of the month. Some manufacturers were reported to be finding difficulty in maintaining deliveries on schedule, while the total volume of spinners' unfilled orders was probably larger than in any month since February, 1931.

Mill buying of actual cotton was reported as active in the early part of the month. French spinners at the end of March were estimated to have covered their current seasons requirements of American cotton by about 80 percent and of Brazilians by about 95 percent.

Import buying of cotton in March was generally quiet and in the latter half of the month is said almost to have ceased. A small amount of American cotton and a substantial quantity of Brazilian, thought to be close on 40,000 bales, owed to French spinners are yet to arrive. But at the current rate of depletion of Havre stocks it is estimated that at least 75,000 bales of cotton had yet to be bought to fill out spinners' requirements up to September. In all districts, however, spinners appear disinclined to make commitments for American cotton till some definite program for the disposition of American loan stocks could be announced. As merchants are even less inclined to add to their stocks under the circumstances it is expected that new import buying will be restricted to minimum current requirements of the mills.

Germany 1/

The close of the first quarter of 1939 finds the German cotton industry in a state of unprecedented evolution, and faced with the prospect of further rapid changes and adjustments of the most varied character. The absorption in March of practically all the remaining Czechoslovakian cotton industry - following those of Austria and Sudetonland - has been the culminating event in a situation already characterized by steadily growing difficulties in obtaining foreign raw material supplies, in developing a domestic raw material industry, in widespread technical adjustments

1/ Information relating to Germany, Poland, Netherlands, Denmark and Estonia supplied by Agricultural Attache, Loyd V. Steere, Berlin.

necessitated by substitute materials, in maintaining export markets for cotton goods, and by a tremendously burdensome bureaucratic control of all the processes of production and distribution in the industry.

The cotton mills are continuing to operate at sustained high levels, in an effort to cope with a demand for goods that still relatively outstrips production by a good margin. The general picture of total raw material supplies and production - at least quantitatively - is in fact quite favorable, for Germany proper, which has managed so far to maintain very well the total volume of raw cotton (and other textile raw material) imports, and at the same time to bring about a phenomenal increase in domestic production of natural, artificial and regenerated fibers.

With the absorption of Austria and Czechoslovakia, however, the situation has assumed quite a different aspect. The mills of these two countries, combined, have consumed from 400,000 to 600,000 bales of cotton annually in recent years, and neither has any important production of domestic fibers or substitutes. Germany must now provide these additional quantities of raw materials, either by importation or home production, or resort to restriction of mill operations, either drastically in Czechoslovakia, or more widely throughout the Reich.

Poland

Reports from the Lodz cotton textile industry indicate that there has been a decline in production and employment in recent months. Seasonal improvement in conditions related to the demand for cotton in Poland has also been held in check by the international political tension resulting from the German occupation of former Czechoslovakia and of Memelland, as well as by the strained relations between Poland and the Third Reich.

Polish imports of raw cotton declined during the first half of the present cotton year from the high figures of 1937-38, but the present rate of takings is still substantially greater than during the comparable months in most seasons. Imports and exports of cotton fabrics have also declined in recent months, but yarn imports, on the other hand, have climbed to record levels.

The Textil-Zeitung reports that the State Planning Office of the Polish Ministry of Finance has been placing the finishing touches on plans for government initiative in expanding the Polish textile industry. According to latest developments, major emphasis will be placed on (1) better utilization of domestic raw materials and (2) upon increased production of synthetic fibers (Kotonin and Textra) in order to restrict imports of raw materials from abroad.

In addition to the plan for rendering the Polish textile industry more independent of raw material imports, the State Planning Office proposes that a far-reaching program of decentralization of the textile industry be brought about (1) in order that mills may be located near raw material supply regions, and (2) presumably for strategic reasons.

There are further reports from Poland reflecting the growing opposition in Poland's official circles to the importation of the usual quantities of American cotton. This attitude appears to have arisen mainly from two factors: (1) Poland's increasing difficulty in obtaining sufficient foreign exchange for both her general and military needs, and (2) that Poland has been more and more influenced by Germany and Italy, and is encouraged by the success these two countries have had with synthetic fibers.

That American cotton faces stronger competition on the Polish market is evidenced further by (1) the inclusion of raw cotton in the recent Polish-Argentine trade agreement, and (2) the provision in the recently concluded Polish-Soviet Union trade agreement for substantial imports of Russian cotton. The American Embassy in Warsaw reports that Russia is to export approximately 92,000 bales of 478 pounds net of cotton fiber to Poland and Poland, in return, will export cotton fabrics to the U.S.S.R.

Despite these many obstacles to imports of American cotton by Poland, a brighter aspect of the picture is to be found in the steadily growing domestic demand in Poland. In textile circles it is believed that this greater domestic demand for textile goods (which is currently intensified by expectation of increased use of synthetic fibers) will make it necessary for Poland to increase her cotton imports from roughly 370,000 bales (last year) to nearly 433,000 bales during the present cotton year if demand is to be met. The State Planning Office is trying to meet the demand by plans for increasing the production of domestic raw materials by one-third.

Switzerland

The Swiss cotton textile industry continues to report a very depressed condition. Production is running much below a year ago, and the outlook is regarded with considerable pessimism in view of the unfavorable state of export trade in nearly all Swiss textile specialities. Switzerland's formerly important connections with Czechoslovakia in the processing of various goods are believed to have been seriously impaired if not nearly destroyed. Imports and exports of cotton yarn and cloth, accordingly, are running at very low levels, as are also the imports of raw cotton.

Netherlands

Reports from the Netherlands indicate that the cotton spinning industry is continuing to operate at very high levels, following a record consumption of raw cotton in the half-year ending January 31, 1939. There has been considerable complaint about competition and prices being realized by manufacturers, generally, but benefit has been gained from the recent increases in duties on cotton goods which were maintained despite German efforts to obtain concessions in the new treaty effective April 1.

Denmark

Reports and figures on the Danish textile situation give evidence of more than seasonal recent gains in mill activity, although developments surrounding the German occupation of Czechoslovakia and Memelland had an unfavorable influence.

The textile production index rose sharply in the early months of the present year, with gains from seven to fifteen points over comparable periods in 1938 and 1937, respectively. The clothing industry, and consumption goods industries in general, have shown similar gains, as reflected in the advances in the production indices over previous seasons. The value of industrial exports has been less than it was in comparable months a year ago, due largely to changes in the price level.

Estonia

Activity in the Estonian textile industry is reported to be only fairly satisfactory, there having been a slight recession in mill activity, compared with the 1937/38 season. This recession is attributed mainly to the weakened market conditions abroad for the products of Estonia's important timber and cellulose industries.

Italy 2/

Considering the unencouraging conditions which continued throughout March, the activity of the Italian industry seems to have held up surprisingly well. Italian cotton mills are reported to have operated rather steadily at levels substantially lower than those that prevailed one year ago. Domestic orders appear to furnish the reasons for the bulk of the mill activity, in which a larger proportion of substitute fibers and a smaller proportion of cotton is used. Foreign trade in yarn, however, has held up fairly well, while markets for cotton textiles have declined, particularly in value, due to the lower cost of the cotton fiber that is now going into these products as compared with that used one year ago.

In both domestic and foreign markets, the rapidly-changing and ever-uncertain international political outlook has played a leading role in that it completely discourages, if not renders impossible, the making of long-range plans for production and sales, as well as for purchases of raw cotton. Purchases, as well as imports, of raw cotton continue small as in recent months when American cotton satisfied a smaller percentage of the Italian demand than for some years. Trade in American cotton continued depressed by the limited offers from American dealers, as well as by the reduced Italian demand. The outlook for this trade during the next few months is obscured chiefly by the uncertain political situation.

2/ Information received from the American Consul General at Milan.

Brokers, as well as buyers, of raw cotton in Italy under present conditions are content to make no long-term contracts such as were formerly common in this trade, since neither party can be certain of the buyer's ability to obtain the foreign exchange with which to pay for imports for more than a few months in advance. Hence brokers now generally discourage requests for deliveries more than six months in the future.

The absence of offers of many types of American cotton continues to be regarded with astonishment and lack of understanding by Italian buyers, considering the millions of bales of cotton that are known to exist in the United States, and many possible sales are reported to have been lost on this account.

Details concerning the organization of the new State-controlled concern to purchase raw cotton for Italian mills approached completion during March, and an announcement is expected early in April concerning the exact nature of the organization and the scope of its activities.

At a meeting of the Inter-Ministerial Committee for Autarchy, held in Rome on March 15, 1939 ^{3/}, it was decided that all yarns and textiles produced by the Italian cotton and woolen mills for domestic consumption should contain at least 20 percent of "autarchic fibers;" that, for the years 1939 and 1940, at least 99,000,000 pounds of staple fiber and 18,000,000 pounds of hemp fiber must be thus used by the cotton mills each year, while the woolen mills must thus consume 10,500,000 pounds of lanital by June 30, 1940, and 5,000,000 pounds of "Cisalfa" (a staple fiber wool substitute produced by the CISA group of artificial fiber producers) by the end of the year, 1939; and that the textile Corporations and Associations (Enti) shall have power to fix the regulations for the control of these yarns and textiles from production to consumption.

No change was noted during March in the official quotations fixed by the Cotton Institute in Milan ^{4/} in prices of mixed yarns which, according to law, must be used in the manufacture of textile products containing cotton for consumption within Italy.

Italian foreign trade in raw cotton and cotton goods during January and February, 1939 suffered a substantial reduction as compared with that of the same period of the preceding year, due particularly to a falling off in the importation of raw cotton. Imports of raw cotton, cotton waste and cotton products of all kinds during the first two months of the year, 1939, were 41 percent lower than during the preceding year, while exports of cotton goods fell off by 12 percent in value.

^{3/} As reported in "Il Sole," Milan daily newspaper, issue of March 16, 1939.

^{4/} As published in the "Daily List of Quotations" of the National Fascist Federation of Cotton Industrialists of Milan.

U. S. S. R.

The total number of cotton spinning spindles in the U. S. S. R., according to a recent statement by the Commissar of the Textile Industry, amounts to 8.2 million. In order to increase the spinning capacity of the cotton textile industry as well as to replace some of the obsolete machinery now in place, an installation of more than 3 million spindles is envisaged by the Third Five Year plan (1938-42). Such installation, it is expected, will do away with the present disproportion existing between spinning and weaving, which has handicapped the expansion of cotton textile production in recent years. It is also to enable the execution of the planned increase in the output of cotton fabrics. Production of cotton fabrics during the 5-year period 1938-42 is to amount to 20,800 million meters, as compared with 15,150,000,000 yards actually produced during the preceding 5 years. This would be an increase of 37 percent. The goal for the year 1942 is 5,360,000,000 yards as compared with 3,760,000,000 yards produced in 1937, or an increase of 42 percent.

The cotton textile industry has not been successful in carrying out its plans in recent years, with the 1938 plan nonexecuted by 15 percent. However, a certain improvement was evident toward the end of 1938, and a recent report indicates that for the first time for many months past, the monthly plan had been fully executed in February 1939.

ORIENT: Indian mill consumption declines from record level; Japanese and Chinese continue relatively low

In March Indian mills consumed about 245,000 bales of Indian cotton compared with 240,000 bales in March last year. This made the 21st consecutive month in which Indian mills consumed as much or more Indian cotton than in any previous corresponding month. Consumption in March, however, dropped considerably below the peak consumption of 283,000 bales established in December, but was 9,000 bales above the revised estimate for February. In view of the greater number of days in March than in February, there was apparently some decline in mill activity. Total mill consumption of 2,100,000 bales during the 8 months ended March was 7 percent larger than that of a year earlier which was itself the largest on record up to that time. As frequently pointed out, one of the important reasons for the high level of consumption in India is the reduced imports of cotton textiles, especially from Great Britain and Japan.

Mill consumption of raw cotton in China, including Manchuria, during March is estimated at 145,000 bales, according to a radiogram received from O. L. Dawson, Agricultural Commissioner at Shanghai. This is approximately 10,000 bales larger than the estimated consumption in February, an increase about in proportion to the larger number of days in March than in February. It was slightly less than the 150,000 bales estimated to have been consumed in January. It is reported that mill activity in Shanghai continues to increase moderately in the Japanese section of the industry and that some mills in central China have also increased operations recently under Japanese control. The current rate of consumption is approximately two-thirds of the consumption rate existing in the months immediately prior to the outbreak of the conflict

with Japan in the summer of 1937. For the first 8 months of the season, cotton mills in China have probably consumed about 1,100,000 bales of cotton which is considerably larger than consumption in the corresponding period last season, but probably the smallest with that exception in 10 years. As a result of the reduced production of cotton in China, difficulties in getting cotton from interior points to mill centers, and comparatively large exports of Chinese cotton to Japan, imports of cotton into China this season are expected to be exceptionally large. It is estimated that more than 400,000 bales of such cotton have already been purchased this season and that the total for the crop year may reach 600,000 bales. However, only 113,000 bales were imported into China during the 5 months ended February. This, nevertheless, was 3 to 19 times as large as in the corresponding periods last season and the season before. Reported exports of 138,000 bales from October through February were more than twice as large as a year earlier, but in February exports totaled only 5,000 bales as compared with 37,000 in February last year. Information indicates that some cotton is now moving to Japan which is not shown in the Customs statistics.

Preliminary yarn production estimates indicate that cotton consumption by Japanese mills in March increased about 7 percent above consumption in February and was probably the largest for any month since the latter part of the 1937-38 season. Consumption in March, however, was materially less than in March last year and the smallest for the month since 1931. From August through March, total mill consumption in Japan was nearly 30 percent less than in the corresponding period last season and also the smallest for the period in 8 years.

Preliminary figures for cloth exports indicate that in March they were the largest for any month since the early part of 1939, reflecting the improved sales made in December and January. Smaller sales since January, however, leads to the conclusion that the Japanese industry cannot, during the near future, hope to maintain cloth exports at the level of March. For this reason, reports from Japan indicate that it is difficult to explain the substantial increase in Japanese yarn production in March. According to a report from the American Consulate in Kobe, there was almost a complete cessation of purchasing of American cotton during the latter part of March due to uncertainties as to the effects of proposed measures on the export prices of American cotton. This is also said to have resulted in delays in the placing of orders for Brazilian cotton, the prices of which tend to move about in line with American cotton.

ACREAGE, PRODUCTION, STOCKS AND SUPPLY

AMERICAN COTTON: April 1 domestic stocks at record high; "free" stocks second smallest in 15 years

On April 1 there were nearly 15½ million running bales of American cotton on hand in the United States. This total was about 1/8 larger than that of a year earlier, which up to this year was the largest for that date in history, and was about 60 percent larger than the average for the past 10 years. Stocks of "free" American cotton as of April 1 this year on the other hand amounted to only about 4,400,000 bales. This figure was approximately 2/5 less than that of April 1, 1938 and the second smallest for this period in 15 years.

Up to April 20 reports had been received of Government loans on 4,409,000 bales of the 1938 crop, excluding 30,000 bales on which the loans had been paid and the cotton released. This total together with about 6,850,000 bales of loan cotton from earlier crops makes a total of 11½ million bales of cotton held by the Government as collateral against Government loans as of April 20. At the end of April last year total loan stocks amounted to 6,854,000 bales which was a new high up to that time.

With cotton planting now under way in the United States and many foreign countries, increased interest is being centered on the prospect for the new crop. No official estimate of the 1939 acreage planted to cotton in the United States will be released until July 8. The national acreage allotment for 1939 is about the same as that for 1938 or about 27½ million acres. Last year the acreage actually planted was below the national allotment.

FOREIGN COTTON: April 1 world stocks third largest in history

World commercial stocks of foreign cotton at the end of February totaled a little over 14,800,000 bales of approximately 478 pounds net weight, according to estimates of the New York Cotton Exchange Service. This was respectively, 300,000 and 900,000 bales below the estimates stocks at the end of February 1937 and 1938 but with these exceptions the largest in history. It seemed quite likely that world consumption of foreign cotton this year will not be greatly different from March last year and that probably not more than 250,000 bales less than in March 1937. Consequently, world stocks of foreign cotton at the beginning of April were also less than on the corresponding date in either of the 2 previous years but were undoubtedly larger than on April 1 of any year prior to 1937.

In most foreign countries, as in the United States, official estimates of the acreage planted to cotton in 1939 will not be available before July. Unofficial reports however indicate that in Egypt the acreage in 1939 probably will be less than in 1938. According to an American Consular report recently received from Cairo it is stated that the Egyptian acreage for the coming season will probably be reduced because of last year's poor crop and low price and also the difficulty experienced in marketing the crop quickly. According to Agricultural Commissioner O. L. Dawson of Shanghai the general opinion in China at the present time is that in 1939 the Chinese cotton crop will be small and the total supply of commercial Chinese cotton will probably be no larger than that of the present season.

Table 1.- Cotton: Exports from United States, Egypt and British India to specified countries, specified periods

		March				August 1 to March 31				
Country of origin and destination	10-year average: 1923-24 to 1937	1938	1939	1939 as a percentage of 1938	10-year average: 1936-1937	1938	1939	1938-39 as a percentage of 1937-38		
	1,000 bales	1,000 bales	1,000 bales	Per cent	1,000 bales	1,000 bales	1,000 bales	Per cent		
United States to:										
Germany	138	47	18	28	155.6	1,486	500	587	254	43.3
United Kingdom:	123	102	101	32	31.7	1,459	962	1,394	351	25.2
France	60	35	33	16	48.5	705	620	673	320	47.5
Italy	54	40	42	32	76.2	518	275	409	229	56.0
Spain	22	0	0	1/	--	222	1/	0	15	--
Belgium	16	10	15	9	60.0	148	132	159	76	47.8
Canada	18	15	23	11	47.8	152	208	183	153	83.6
Japan	119	166	102	126	123.5	1,029	1,242	438	720	164.4
China	20	2	5	16	320.0	217	12	10	60	600.0
Other countries:	113	51	87	60	69.0	910	438	804	608	75.6
Total	627	468	426	330	77.5	6,324	4,389	4,657	2,786	59.8
	March					August 1 to March 31				
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	Per cent	1,000 bales	1,000 bales	1,000 bales	1,000 bales	Per cent
Egypt to	478 lb.	478 lb.	478 lb.	478 lb.	cent	478 lb.	478 lb.	478 lb.	478 lb.	cent
United Kingdom:	48	58	51	63	123.5	432	503	434	385	88.7
France	15	23	17	26	152.9	140	159	180	129	71.7
United States:	16	6	3	3	100.0	127	51	29	22	75.9
Germany	10	16	21	2/13	61.9	76	105	150	144	96.0
Italy	9	9	10	14	140.0	72	73	86	84	97.7
Japan	6	19	10	14	140.0	50	194	55	108	196.4
British India:	2	6	9	9	100.0	17	70	101	61	60.4
Other countries:	20	36	35	39	111.4	173	285	271	262	96.7
Total	126	173	156	181	116.0	1,087	1,440	1,306	1,195	91.5
	February					August 1 to February 28				
British India to										
Japan	188	173	108	71	65.7	704	1,103	301	623	207.0
Italy	37	16	12	6	50.0	168	95	56	45	80.4
China	35	1	5	54	1080.0	135	10	37	119	321.6
Germany	22	13	22	10	45.5	99	84	71	91	128.2
Belgium	20	44	10	10	100.0	99	130	63	55	87.3
United Kingdom:	24	58	28	47	167.9	87	211	114	156	136.8
France	16	22	11	15	136.4	66	67	33	63	190.9
Other countries:	18	45	26	21	80.8	69	130	111	126	113.5
Total	360	372	222	234	105.4	1,427	1,830	786	1,278	162.6

Compiled from official sources. Current figures on exports from Egypt and India are from cables.

1/ Less than 500 bales.

2/ Includes Austria.